

**SOUTH CAROLINA
COMMISSION ON INDIGENT DEFENSE
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2016



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 25, 2017

Mr. J. Hugh Ryan, III, Executive Director
South Carolina Commission on Indigent Defense
1330 Lady Street, Suite 401
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Commission on Indigent Defense (the Commission), solely to assist you in evaluating the systems, processes and behaviors of the Commission for the fiscal year ended June 30, 2016. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 for the purpose of which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

Mr. J. Hugh Ryan, III, Executive Director
South Carolina Commission on Indigent Defense
October 25, 2017

This report is intended solely for the information and use of the management of the Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to South Carolina Commission on Indigent Defense (E23)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$1,000 and 10% for the General Fund, \$12,000 and 10% for the Earmarked Fund, \$20,000 and 10% for the Restricted Fund, and \$10,000 and 10% for the Federal Fund.
2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select eight cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

Findings

During our inspection of revenue, we observed eight selected documents that did not have a receipt date stamp showing when the funds were received. Therefore, due to the lack of supporting information, we could not determine that the receipts were deposited in a timely manner.

Additionally, during our inspection of revenue, we observed two selected documents that related to services rendered in June 2016. Both of these transactions were recorded as FY17 revenue without a notation that they each related to prior year services.

Management's Response

It has been SCCID's standard procedure to date stamp the envelope of all incoming mail and then deliver it to the addressee. In the above identified eight selected documents the envelopes of the received revenue were date stamped, but the envelopes were not kept with the documentation in the file. This would have allowed the audit staff to see that the funds had been deposited in a timely manner. SCCID has revised our procedure for handling incoming mail to have the documents inside the envelope date stamped to show the date received. This will eliminate any issues with being able to identify the receipt of revenues to ensure that they have been deposited in a timely manner.

The two selected revenue documents that were related to collections for June of 2016 were received by SCCID after the CG's closeout date of FY16. SCCID should have noted in the SCEIS text field that these revenues were for FY16 and not as new revenue for FY17. SCCID will monitor all received revenues more closely to ensure that revenue collections for the prior fiscal year will be accurately accounted for in the SCEIS system.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$100,000 and 10% for the General Fund, \$13,000 and 10% for the Earmarked Fund, \$67,000 and 10% for the Restricted Fund, and \$10,000 and 10% for the Federal Fund.

Cash Disbursements/Non-Payroll Expenditures (Continued)

5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Commission procedures and good business practice are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Commission, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
 - Clerical accuracy / verify proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures we will inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.
6. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$100,000 and 10% for the General Fund, \$13,000 and 10% for the Earmarked Fund, \$67,000 and 10% for the Restricted Fund, and \$10,000 and 10% for the Federal Fund.
8. Randomly select eight employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Commission.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Commission.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

9. Randomly select five supplemental bonus pay disbursements authorized by the 2015-2016 Supplemental Appropriations to determine:
 - Employee is a permanent state employee in a full-time equivalent position who has been in continuous state service for at least six months prior to July 1, 2015.

Payroll (Continued)

- Employee does not make more than \$100,000 annually.
 - Bonus pay was split between funds according to the ratio of the employee's base salary.
10. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
 11. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
 12. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes of +/- 10%.
 13. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of changes of +/- 10%.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

14. Randomly select twenty-five journal entries and transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Appropriation Act

15. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
16. Confirm compliance with Commission specific state provisos by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedures.

Reporting Package

17. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by CG's Reporting Policies and Procedures Manual.

Reporting Package (Continued)

18. In addition to the procedure above, we will perform the following:

- Accounts Payable Reporting Package
 - Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Rptg – Prior Year Payables with Vendor and/or Commission prepared records. Haphazardly select ten items to inspect for proper recording of amount as payable in SCEIS.
- Capital Assets Reporting Package
 - Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet, SCEIS Yearend Rptg – Asset History Sheet, SCEIS JWG Asset History Sheet, and/or Commission prepared records. Select the asset acquisition and the two asset disposals to inspect for proper recording in SCEIS.
- Operating Lease Reporting Package
 - Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Rptg – Operating Lease Expense with Vendor report and/or Commission prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) contingent rental payments; and (2) payment for each vendor including the remaining rental payment classifications (Payment for Supplies and Other Billing Charges and Other Adjustments).
- Subsequent Events Reporting Package
 - Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Commission prepared records. In addition, haphazardly select five payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission.

We found no exceptions as a result of the procedures.

Status of Prior Findings

19. Through inquiry and inspection, determine if the Commission has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.

Minutes

20. We will inspect the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.